



# 2015 Instructions for Schedule J

## Income Averaging for Farmers and Fishermen

Use Schedule J (Form 1040) to elect to figure your 2015 income tax by averaging, over the previous 3 years (base years), all or part of your 2015 taxable income from your trade or business of farming or fishing. This election may give you a lower tax if your 2015 income from farming or fishing is high and your taxable income for one or more of the 3 prior years was low.

In order to qualify for this election, you aren't required to have been in the business of farming or fishing during any of the base years.

You may elect to average farming or fishing income even if your filing status wasn't the same in the election year and the base years.

This election doesn't apply when figuring your alternative minimum tax on Form 6251. Also, you don't have to refigure, because of this election, the tax liability of any minor child who was required to use your tax rates in the prior years.

Section references are to the Internal Revenue Code unless otherwise noted.

### Future Developments

For the latest information about developments related to Schedule J (Form 1040) and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/schedulej](http://www.irs.gov/schedulej).

### General Instructions

#### Prior Year Tax Returns

You may need copies of your original or amended income tax returns for 2012, 2013, and 2014 to figure your tax on Schedule J.

If you need copies of your tax returns, use Form 4506. There is a fee for each return requested. See Form 4506 for the fee amount. If your main home, principal place of business, or tax records are located in a federally declared disaster area, this fee will be waived. If you want a free transcript of your tax return or account, use Form 4506-T. See your Form 1040 instructions to find out how to get these forms.

Keep a copy of your 2015 income tax return to use for income averaging in 2016, 2017, or 2018.

#### Definitions

**Farming business.** A farming business is the trade or business of cultivating land or raising or harvesting any agricul-

tural or horticultural commodity. This includes:

1. Operating a nursery or sod farm;
2. Raising or harvesting of trees bearing fruits, nuts, or other crops;
3. Raising ornamental trees (but not evergreen trees that are more than 6 years old when severed from the roots);
4. Raising, shearing, feeding, caring for, training, and managing animals; and
5. Leasing land to a tenant engaged in a farming business, but only if the lease payments are (a) based on a share of the tenant's production (not a fixed amount), and (b) determined under a written agreement entered into before the tenant begins significant activities on the land.

A farming business doesn't include:

- Contract harvesting of an agricultural or horticultural commodity grown or raised by someone else, or
- Merely buying or reselling plants or animals grown or raised by someone else.

**Fishing business.** A fishing business is the trade or business of fishing in which the fish harvested, either in whole or in part, are intended to enter commerce or enter commerce through sale, barter, or trade. This includes:

1. The catching, taking, or harvesting of fish;
2. The attempted catching, taking, or harvesting of fish;

3. Any other activity which can reasonably be expected to result in the catching, taking, or harvesting of fish;

4. Any operations at sea in support of, or in preparation for, any activity described in (1) through (3) above;

5. Leasing a fishing vessel, but only if the lease payments are (a) based on a share of the catch (or a share of the proceeds from the sale of the catch) from the lessee's use of the vessel in a fishing business (not a fixed payment), and (b) determined under a written lease entered into before the lessee begins any significant fishing activities resulting in the catch; and

6. Compensation as a crew member on a vessel engaged in a fishing business, but only if the compensation is based on a share of the catch (or a share of the proceeds from the sale of the catch).

The word fish means finfish, mollusks, crustaceans, and all other forms of marine animal and plant life other than marine mammals and birds.

A fishing business doesn't include any scientific research activity conducted by a scientific research vessel.

**Settlement from Exxon Valdez litigation.** You will be treated as engaged in a fishing business with respect to any qualified settlement income you received if either of the following applies.

1. You were a plaintiff in the civil action *In re Exxon Valdez*, No.

89-095-CV (HRH) (Consolidated) (D. Alaska); or

2. All of the following apply.

a. You were a beneficiary of a plaintiff described in (1) above,

b. You acquired the right to receive qualified settlement income from that plaintiff, and

c. You were the spouse or an immediate relative of that plaintiff.

Qualified settlement income is any taxable interest and punitive damage awards you received (whether as lump sums or periodic payments) in connection with the Exxon Valdez civil action described above. Qualified settlement income includes all such awards, whether received before or after the judgment and whether related to a settlement or a judgment.

## Additional Information

See Pub. 225 and Regulations section 1.1301-1 for more information.

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## Specific Instructions

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### Line 2a

#### Elected Farm Income

To figure your elected farm income, first figure your taxable income from farming or fishing. This includes all income, gains, losses, and deductions attributable to your farming or fishing business. If you conduct both farming and fishing businesses, you must figure your elected farm income by combining income, gains, losses, and deductions attributable to your farming and fishing businesses.

Elected farm income also includes any gain or loss from the sale or other disposition of property regularly used in your farming or fishing business for a substantial period of time. However, if such gain or loss is realized after cessation of the farming or fishing business, the gain or loss is treated as attributable to a farming or fishing business only if the property is sold within a reasonable time after cessation of the farming or fishing business. A sale or other disposition within 1 year of the cessation is considered to be within a reasonable time.

Elected farm income doesn't include income, gain, or loss from the sale or other disposition of land or from the sale of development rights, grazing rights, and other similar rights.

You should find your income, gains, losses, and deductions from farming or fishing reported on different tax forms, such as:

- 2015 Form 1040, line 7, or Form 1040NR, line 8, income from wages and other compensation you received (a) as a shareholder in an S corporation engaged in a farming or fishing business or (b) as a crew member on a vessel engaged in a fishing business (but see *Fishing business*, earlier);

- 2015 Form 1040, line 21, or Form 1040NR, line 21, income from Exxon Valdez litigation;

- 2015 Form 1040, line 27, or Form 1040NR, line 27, deductible part of self-employment tax, but only to the extent that deduction is attributable to your farming or fishing business;

- 2015 Form 1040, line 43, or Form 1040NR, line 41, CCF reduction, except to the extent that any earnings (without regard to the carryback of any net operating or net capital loss) from the operation of agreement vessels in the fisheries of the United States or in the foreign or domestic commerce of the United States aren't attributable to your fishing business;

- Schedule C or C-EZ;
- Schedule D;
- Schedule E, Part II;
- Schedule F;
- Form 4797;
- Form 4835;
- Form 8903, domestic production activities deduction, but only to the extent that deduction is attributable to your farming or fishing business; and
- Form 8949.

Your elected farm income is the amount of your taxable income from farming or fishing that you elect to include on line 2a.



*You don't have to include all of your taxable income from farming or fishing on line 2a. It may be to your advantage to include less than the entire amount, depending on how the amount you include on line 2a affects your tax bracket for the current and prior 3 tax years.*

If you received certain subsidies in 2015, your elected farm income can't include excess farm losses. See the Instructions for Schedule F (Form 1040).

Your elected farm income can't exceed your taxable income.

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### Lines 2b and 2c

Complete lines 2b and 2c if the amount of your elected farm income on line 2a includes net capital gain. Net capital gain is the excess, if any, of net long-term capital gain over net short-term capital loss.

**Line 2b.** Enter on line 2b the portion of your elected farm income on line 2a treated as a net capital gain. The amount you enter on line 2b can't exceed the **smaller** of your total net capital gain or the net capital gain attributable to your farming or fishing business.

**Line 2c.** Enter on line 2c the **smaller** of line 2b or the unreaptured section 1250 gain attributable to your farming or fishing business, if any.

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### Line 4

Figure the tax on the amount on line 3 using:

- The 2015 Tax Table, Tax Computation Worksheet, or Qualified Dividends and Capital Gain Tax Worksheet from the 2015 Instructions for Form 1040 or Form 1040NR;
- The 2015 Foreign Earned Income Tax Worksheet from the 2015 Instructions for Form 1040; or
- The Schedule D Tax Worksheet in the 2015 Instructions for Schedule D.

Enter the tax on line 4.

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### Line 5

If you used Schedule J to figure your tax for:

- 2014 (that is, you entered the amount from the 2014 Schedule J, line 23, on your 2014 Form 1040, line 44, on your 2014 Form 1040NR, line 42, or on Form 1040X for 2014), enter on line 5 the amount from your 2014 Schedule J, line 11.

- 2013 but not 2014, enter on line 5 the amount from your 2013 Schedule J, line 15.

- 2012 but not 2013 or 2014, enter on line 5 the amount from your 2012 Schedule J, line 3.

If you figured your tax for 2012, 2013, and 2014 without using Schedule J, enter on line 5 the taxable income from your 2012 tax return (or as previously adjusted by the IRS, or corrected on an amended return). But if that amount is zero or less, complete the 2012 Taxable Income Worksheet to figure the amount to enter on line 5.

If you didn't file a tax return for 2012, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2012 for at least 3 years after April 15, 2016 (or the date you file your 2015 tax return, if later).

### Instructions for 2012 Taxable Income Worksheet

**Line 2.** Any net capital loss deduction on your 2012 Schedule D, line 21, isn't allowed for income averaging purposes to the extent it didn't reduce your capital loss carryover to 2013. This could happen if the taxable income before subtracting exemptions—shown on your 2012 Form 1040, line 41, or your 2012 Form 1040NR, line 39 (or as previously adjusted)—was less than zero. Enter on line 2 the amount by which your 2012 capital loss carryover to 2013 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2012 Schedule D, line 16,

over the loss on your 2012 Schedule D, line 21. If you had any Net Operating Loss (NOL) carrybacks to 2012, be sure you refigured your 2012 capital loss carryover to 2013.

**Line 3.** If you had an NOL for 2012, enter the amount of that NOL from the 2012 Form 1045, Schedule A, line 25, you filed with Form 1045 or Form 1040X. If you didn't have an NOL for 2012, enter the portion, if any, of the NOL carryovers and carrybacks to 2012 that weren't used in 2012 and were carried to years after 2012.

**Example.** John Farmington, who is single, didn't use income averaging for 2012, 2013, or 2014. For 2015, John has \$18,000 of elected farm income on Schedule J, line 2a. The taxable income before subtracting exemptions on his 2012 Form 1040, line 41, is \$4,650. A deduction for exemptions of \$3,800 is shown on line 42, and line 43, taxable income, is \$850. However, John had a \$20,800 NOL for 2013, \$9,000 of which was remaining to carry to 2012 after the NOL was carried back to 2011. To complete line 1 of the 2012 Taxable Income Worksheet, John combines the \$9,000 NOL deduction with the \$850 from his 2012 Form 1040, line 43. The result is a negative \$8,150, John's 2012 taxable income, which he enters as a positive amount on line 1 of the 2012 Taxable Income Worksheet.

When John filed his 2012 tax return, he had a \$3,000 net capital loss deduction on Schedule D, line 21 (which was also entered on Form 1040, line 13), a \$7,000 loss on Schedule D, line 16, and a \$4,000 capital loss carryover to 2013. However, when John carried back the 2013 NOL (\$9,000 of which was carried to 2012), he refigured his 2012 capital loss carryover to 2013 as \$7,000. John adds the \$3,000 from Schedule D, line 21, and the \$7,000 capital loss carryover. He subtracts from the \$10,000 result the \$7,000 loss on his Schedule D, line 16, and enters \$3,000 on line 2 of the worksheet.

John had \$850 of taxable income in 2012 that reduced the 2013 NOL carryback. The \$3,800 exemption deduction and \$3,000 net capital loss deduction also reduced the amount of the 2013 NOL carryback. As a result, only \$1,350 (\$9,000 – \$850 – \$3,800 – \$3,000 = \$1,350) was available to carry to 2014 and later years, as shown on his 2013 Form 1045, Schedule B, line 10. John enters the \$1,350 on line 3 of the worksheet, and \$4,350 (\$1,350 plus the \$3,000 line 2 amount) on line 4. He then subtracts the \$4,350 from the \$8,150 on line 1 and enters the result, \$3,800, on line 5 of the worksheet. He enters a negative \$3,800 on Schedule J, line 5. He combines that amount with the \$6,000 on Schedule J, line 6, and enters \$2,200 on Schedule J, line 7.

## 2012 Taxable Income Worksheet—Line 5

Keep for Your Records 

Complete this worksheet if you **didn't** use Schedule J to figure your tax for 2013 and 2014 **and** your 2012 taxable income was zero or less. See the instructions above before completing this worksheet for line 5.

1. Figure the taxable income from your 2012 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2012, <b>don't</b> include any NOL carryovers or carrybacks to 2012. Enter the result as a positive amount .....		1. _____
2. If there is a loss on your 2012 Schedule D, line 21, add that loss (as a positive amount) and your 2012 capital loss carryover to 2013. Subtract from that sum the amount of the loss on your 2012 Schedule D, line 16, and enter the result .....	2. _____	
3. If you had an NOL for 2012, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2012 that weren't used in 2012 and were carried to years after 2012 .....	3. _____	
4. Add lines 2 and 3 .....		4. _____
5. Subtract line 4 from line 1. Enter the result as a <b>negative</b> amount on Schedule J, line 5 .....		5. _____

## Line 8

If line 7 is zero, enter -0- on line 8. Otherwise, figure the tax on the amount on line 7 using:

- The 2012 Tax Rate Schedules below;
- The 2012 Qualified Dividends and Capital Gain Tax Worksheet, later;
- The 2012 Schedule D Tax Worksheet in the 2012 Schedule D instructions (but use the 2012 Tax Rate Schedules below when figuring the tax on

lines 34 and 36 of the Schedule D Tax Worksheet); or

- The 2012 Foreign Earned Income Tax Worksheet, later.

If your elected farm income includes net capital gain, you must use the 2012 Schedule D Tax Worksheet to figure the tax on the amount on line 7. However, if you filed Form 2555 or 2555-EZ for 2012, you must first complete the 2012 Foreign Earned Income Tax Worksheet, and then use the 2012 Schedule D Tax

Worksheet to figure the tax on the amount on line 3 of the Foreign Earned Income Tax Worksheet.

When completing the Schedule D Tax Worksheet, you must allocate 1/3 of the amount on Schedule J, line 2b (and 1/3 of the amount on line 2c, if any) to 2012. If for 2012 you had a capital loss that resulted in a capital loss carryover to 2013, don't reduce the elected farm income allocated to 2012 by any part of the carryover.

## 2012 Tax Rate Schedules—Line 8

Schedule X—Use if your 2012 filing status was <b>Single</b> or you checked filing status box 1 or 2 on Form 1040NR					Schedule Y-2—Use if your 2012 filing status was <b>Married filing separately</b> or you checked filing status box 3, 4, or 5 on Form 1040NR				
If Schedule J, line 7, is:	<i>But not over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>		If Schedule J, line 7, is:	<i>But not over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>	
\$0	\$8,700	.....	<b>10%</b>	<b>\$0</b>	\$0	\$8,700	.....	<b>10%</b>	<b>\$0</b>
8,700	35,350	<b>\$870.00 +</b>	<b>15%</b>	<b>8,700</b>	8,700	35,350	<b>\$870.00 +</b>	<b>15%</b>	<b>8,700</b>
35,350	85,650	<b>4,867.50 +</b>	<b>25%</b>	<b>35,350</b>	35,350	71,350	<b>4,867.50 +</b>	<b>25%</b>	<b>35,350</b>
85,650	178,650	<b>17,442.50 +</b>	<b>28%</b>	<b>85,650</b>	71,350	108,725	<b>13,867.50 +</b>	<b>28%</b>	<b>71,350</b>
178,650	388,350	<b>43,482.50 +</b>	<b>33%</b>	<b>178,650</b>	108,725	194,175	<b>24,332.50 +</b>	<b>33%</b>	<b>108,725</b>
388,350	.....	<b>112,683.50 +</b>	<b>35%</b>	<b>388,350</b>	194,175	.....	<b>52,531.00 +</b>	<b>35%</b>	<b>194,175</b>
<b>Schedule Y-1—Use if your 2012 filing status was <b>Married filing jointly</b> or <b>Qualifying widow(er)</b> or you checked filing status box 6 on Form 1040NR</b>					<b>Schedule Z—Use if your 2012 filing status was <b>Head of household</b></b>				
If Schedule J, line 7, is:	<i>But not over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>		If Schedule J, line 7, is:	<i>But not over—</i>	Enter on Schedule J, line 8	<i>of the amount over—</i>	
\$0	\$17,400	.....	<b>10%</b>	<b>\$0</b>	\$0	\$12,400	.....	<b>10%</b>	<b>\$0</b>
17,400	70,700	<b>\$1,740.00 +</b>	<b>15%</b>	<b>17,400</b>	12,400	47,350	<b>\$1,240.00 +</b>	<b>15%</b>	<b>12,400</b>
70,700	142,700	<b>9,735.00 +</b>	<b>25%</b>	<b>70,700</b>	47,350	122,300	<b>6,482.50 +</b>	<b>25%</b>	<b>47,350</b>
142,700	217,450	<b>27,735.00 +</b>	<b>28%</b>	<b>142,700</b>	122,300	198,050	<b>25,220.00 +</b>	<b>28%</b>	<b>122,300</b>
217,450	388,350	<b>48,665.00 +</b>	<b>33%</b>	<b>217,450</b>	198,050	388,350	<b>46,430.00 +</b>	<b>33%</b>	<b>198,050</b>
388,350	.....	<b>105,062.00 +</b>	<b>35%</b>	<b>388,350</b>	388,350	.....	<b>109,229.00 +</b>	<b>35%</b>	<b>388,350</b>



Use this worksheet **only** if both of the following apply.

- Your elected farm income on your 2015 Schedule J, line 2a, doesn't include any net capital gain.
- You **(a)** entered qualified dividends on your 2012 Form 1040, line 9b (or your 2012 Form 1040A, line 9b, or 2012 Form 1040NR, line 10b); **(b)** entered capital gain distributions directly on your 2012 Form 1040, line 13 (or your 2012 Form 1040A, line 10, or 2012 Form 1040NR, line 14) and weren't required to file Schedule D; or **(c)** filed Schedule D in 2012 and you answered "Yes" on lines 17 and 20 of that Schedule D.

<p>1. Amount from your 2015 Schedule J, line 7. If for 2012 you filed Form 2555 or 2555-EZ, enter the amount from line 3 of the 2012 Foreign Earned Income Tax Worksheet . . . . .</p> <p>2. Amount from your 2012 Form 1040, line 9b* (or your 2012 Form 1040A, line 9b, or 2012 Form 1040NR, line 10b) . . . . .</p> <p>3. Did you file Schedule D in 2012?*</p> <p><input type="checkbox"/> <b>Yes.</b> Enter the <b>smaller</b> of line 15 or 16 of your 2012 Schedule D, but don't enter less than -0-</p> <p><input type="checkbox"/> <b>No.</b> Enter the amount from your 2012 Form 1040, line 13 (or your 2012 Form 1040A, line 10, or 2012 Form 1040NR, line 14)</p> <p>4. Add lines 2 and 3 . . . . .</p> <p>5. Amount, if any, from your 2012 Form 4952, line 4g . . . . .</p> <p>6. Subtract line 5 from line 4. If zero or less, enter -0- . . . . .</p> <p>7. Subtract line 6 from line 1. If zero or less, enter -0- . . . . .</p> <p>8. Enter one of the following three amounts depending on your filing status:</p> <ul style="list-style-type: none"> <li>• \$35,350 if single or married filing separately, or if you checked filing status box 1, 2, 3, 4, or 5 on Form 1040NR;</li> <li>• \$70,700 if married filing jointly or qualifying widow(er) or if you checked filing status box 6 on Form 1040NR;</li> <li>• \$47,350 if head of household.</li> </ul> <p>9. Enter the smaller of line 1 or line 8 . . . . .</p> <p>10. Enter the smaller of line 7 or line 9 . . . . .</p> <p>11. Subtract line 10 from line 9. This amount is taxed at 0% . . . . .</p> <p>12. Enter the smaller of line 1 or line 6 . . . . .</p> <p>13. Enter the amount from line 11 . . . . .</p> <p>14. Subtract line 13 from line 12 . . . . .</p> <p>15. Multiply line 14 by 15% (0.15) . . . . .</p> <p>16. Figure the tax on the amount on line 7. Use the 2012 Tax Rate Schedules . . . . .</p> <p>17. Add lines 15 and 16 . . . . .</p> <p>18. Figure the tax on the amount on line 1. Use the 2012 Tax Rate Schedules . . . . .</p> <p>19. <b>Tax.</b> Enter the <b>smaller</b> of line 17 or line 18 here and on your 2015 Schedule J, line 8. If for 2012 you filed Form 2555 or 2555-EZ, don't enter this amount on Schedule J, line 8. Instead, enter it on line 4 of the 2012 Foreign Earned Income Tax Worksheet . . . . .</p>	<p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p> <p>5. _____</p> <p>6. _____</p> <p>7. _____</p> <p>8. _____</p> <p>9. _____</p> <p>10. _____</p> <p>11. _____</p> <p>12. _____</p> <p>13. _____</p> <p>14. _____</p> <p>15. _____</p> <p>16. _____</p> <p>17. _____</p> <p>18. _____</p> <p>19. _____</p>
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*\*If for 2012 you filed Form 2555 or 2555-EZ, see the footnote in the 2012 Foreign Earned Income Tax Worksheet before completing this line.*



Use this worksheet if you claimed the foreign earned income exclusion or housing exclusion on your 2012 Form 1040 using Form 2555 or 2555-EZ. However, if Schedule J, line 7, is zero or less don't complete this worksheet.

1. Enter the amount from your 2015 Schedule J, line 7 .....	1.	_____
2. Enter the amount from your (and your spouse's, if filing jointly) 2012 Form 2555, lines 45 and 50, or Form 2555-EZ, line 18 .....	2.	_____
3. Add lines 1 and 2 .....	3.	_____
4. <b>Tax on the amount on line 3.</b> Use the 2012 Tax Rate Schedules, the 2012 Qualified Dividends and Capital Gain Tax Worksheet,* or the 2012 Schedule D Tax Worksheet in the 2012 Schedule D instructions,* whichever applies. ....	4.	_____
5. <b>Tax on the amount on line 2.</b> Use the 2012 Tax Rate Schedules. ....	5.	_____
6. Subtract line 5 from line 4. Enter the result. If zero or less, enter -0-. Also include this amount on your 2015 Schedule J, line 8 .....	6.	_____

*\*Enter the amount from line 3 above on line 1 of the 2012 Qualified Dividends and Capital Gain Tax Worksheet or the 2012 Schedule D Tax Worksheet if you use either of those worksheets to figure the tax on line 4 above. Complete the rest of that worksheet through line 6 (line 10 if you use the Schedule D Tax Worksheet). Next, you must determine if you had a capital gain excess. To find out if you had a capital gain excess, subtract the amount from your 2015 Schedule J, line 7, from line 6 of your 2012 Qualified Dividends and Capital Gain Tax Worksheet (line 10 of your 2012 Schedule D Tax Worksheet). If the result is more than zero, that amount is your capital gain excess.*

*If you didn't have a capital gain excess, complete the rest of either of those worksheets according to the worksheet's instructions. Then complete lines 5 and 6 above.*

*If you had a capital gain excess, complete a second 2012 Qualified Dividends and Capital Gain Tax Worksheet or 2012 Schedule D Tax Worksheet (whichever applies) as instructed above but in its entirety and with the following additional modifications. Then complete lines 5 and 6 above. These modifications are to be made only for purposes of filling out the 2012 Foreign Earned Income Tax Worksheet above.*

- 1. Reduce (but not below zero) the amount you would otherwise enter on line 3 of your 2012 Qualified Dividends and Capital Gain Tax Worksheet or line 9 of your 2012 Schedule D Tax Worksheet by your capital gain excess.*
- 2. Reduce (but not below zero) the amount you would otherwise enter on line 2 of your 2012 Qualified Dividends and Capital Gain Tax Worksheet or line 6 of your 2012 Schedule D Tax Worksheet by any of your capital gain excess not used in (1) above.*
- 3. Reduce (but not below zero) the amount on your 2012 Schedule D (Form 1040), line 18, by your capital gain excess.*
- 4. Include your capital gain excess as a loss on line 16 of your 2012 Unrecaptured Section 1250 Gain Worksheet in the 2012 Instructions for Schedule D (Form 1040).*

## Line 9

If you used Schedule J to figure your tax for:

- 2014 (that is, you entered the amount from the 2014 Schedule J, line 23, on your 2014 Form 1040, line 44, 2014 Form 1040NR, line 42, or 2014 Form 1040X), enter on line 9 the amount from your 2014 Schedule J, line 15.
- 2013 but not 2014, enter on line 9 the amount from your 2013 Schedule J, line 3.

If you figured your tax for both 2013 and 2014 without using Schedule J, enter on line 9 the taxable income from your 2013 tax return (or as previously adjusted by the IRS or corrected on an amended return). But if that amount is

zero or less, complete the worksheet below to figure the amount to enter on line 9.

If you didn't file a tax return for 2013, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2013 until at least 3 years after April 15, 2016 (or the date you file your 2015 tax return, if later).

### Instructions for 2013 Taxable Income Worksheet

**Line 2.** Any net capital loss deduction on your 2013 Schedule D, line 21, isn't allowed for income averaging purposes to the extent it didn't reduce your capital loss carryover to 2014. This could hap-

pen if the taxable income before subtracting exemptions—shown on your 2013 Form 1040, line 41, or your 2013 Form 1040NR, line 39 (or as previously adjusted)—was less than zero. Enter on line 2 the amount by which your 2013 capital loss carryover to 2014 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2013 Schedule D, line 16, over the loss on your 2013 Schedule D, line 21. If you had any NOL carrybacks to 2013, be sure you refigured your 2013 capital loss carryover to 2014.

**Line 3.** If you had an NOL for 2013, enter the amount of that NOL from the 2013 Form 1045, Schedule A, line 25, you filed with Form 1045 or Form 1040X. If you didn't have an NOL for 2013, enter the portion, if any, of the

NOL carryovers and carrybacks to 2013 that weren't used in 2013 and were carried to years after 2013.

**Example.** John Farmington didn't use income averaging for 2012, 2013, or 2014. The taxable income before subtracting exemptions on his 2013 Form 1040, line 41, is a negative \$29,900. A deduction for exemptions of \$3,900 is shown on line 42, and line 43, taxable income, is limited to zero. John subtracts from the \$29,900 loss the \$3,900 deduction for exemptions. The result is a negative \$33,800, John's 2013 taxable income, which he enters as a positive amount on line 1 of the 2013 Taxable Income Worksheet.

When John filed his 2013 tax return, he had a \$3,000 net capital loss deduc-


tion on Schedule D, line 21 (which was also entered on Form 1040, line 13), and a \$7,000 loss on Schedule D, line 16 (as adjusted). He also had a \$7,000 capital loss carryover to 2014. John adds the \$3,000 from Schedule D, line 21, and the \$7,000 capital loss carryover. He subtracts from the \$10,000 result the \$7,000 loss on his Schedule D, line 16, and enters \$3,000 on line 2 of the worksheet.

John enters \$20,800 on line 3 of the worksheet, the 2013 NOL from his 2013 Form 1045, Schedule A, line 25. Of the \$33,800 negative taxable income, the \$3,900 deduction for exemptions, the \$3,000 capital loss deduction, and his \$6,100 standard deduction weren't allowed in figuring the NOL. John had a

\$20,800 loss on his 2013 Schedule F, the only other item on his 2013 tax return.

John enters \$23,800 (the \$3,000 line 2 amount plus the \$20,800 line 3 amount) on line 4 and \$10,000 (the \$33,800 line 1 amount minus the \$23,800 line 4 amount) on line 5. He enters \$10,000 as a negative amount on Schedule J, line 9. He enters \$6,000 on Schedule J, line 10, and a negative \$4,000 on Schedule J, line 11. If he uses Schedule J to figure his tax for 2016, he will enter the negative \$4,000 amount on his 2016 Schedule J as his 2013 taxable income for income averaging purposes.

## 2013 Taxable Income Worksheet—Line 9

Keep for Your Records 

Complete this worksheet if you **didn't** use Schedule J to figure your tax for 2014 and your 2013 taxable income was zero or less. See the instructions above before completing this worksheet.

- |  |    |                      |
|--|----|----------------------|
| 1. Figure the taxable income from your 2013 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2013, <b>don't</b> include any NOL carryovers or carrybacks to 2013. Enter the result as a positive amount ..... | 1. | <input type="text"/> |
| 2. If there is a loss on your 2013 Schedule D, line 21, add that loss (as a positive amount) and your 2013 capital loss carryover to 2014. Subtract from that sum the amount of the loss on your 2013 Schedule D, line 16, and enter the result .....  | 2. | <input type="text"/> |
| 3. If you had an NOL for 2013, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2013 that weren't used in 2013 and were carried to years after 2013 .....             | 3. | <input type="text"/> |
| 4. Add lines 2 and 3 .....   | 4. | <input type="text"/> |
| 5. Subtract line 4 from line 1. Enter the result as a <b>negative</b> amount on Schedule J, line 9 .....   | 5. | <input type="text"/> |

## Line 12

If line 11 is zero or less, enter -0- on line 12. Otherwise, figure the tax on the amount on line 11 using:

- The 2013 Tax Rate Schedules below;
- The 2013 Qualified Dividends and Capital Gain Tax Worksheet, later;
- The 2013 Schedule D Tax Worksheet in the 2013 Schedule D instructions (but use the 2013 Tax Rate Schedules below when figuring the tax on the

Schedule D Tax Worksheet, lines 42 and 44); or

- The 2013 Foreign Earned Income Tax Worksheet, later.

If your elected farm income includes net capital gain, you must use the 2013 Schedule D Tax Worksheet to figure the tax on the amount on line 11. However, if you filed Form 2555 or 2555-EZ for 2013, you must first complete the 2013 Foreign Earned Income Tax Worksheet, and then use the 2013 Schedule D Tax

Worksheet to figure the tax on the amount on line 3 of the Foreign Earned Income Tax Worksheet.

When completing the Schedule D Tax Worksheet, you must allocate 1/3 of the amount on Schedule J, line 2b (and 1/3 of the amount on line 2c, if any) to 2013. If for 2013 you had a capital loss that resulted in a capital loss carryover to 2014, don't reduce the elected farm income allocated to 2013 by any part of the carryover.

## 2013 Tax Rate Schedules—Line 12

<b>Schedule X</b> —Use if your <b>2013</b> filing status was <b>Single</b> or you checked filing status box 1 or 2 on Form 1040NR					<b>Schedule Y-2</b> —Use if your <b>2013</b> filing status was <b>Married filing separately</b> or you checked filing status box 3, 4, or 5 on Form 1040NR				
If Schedule J, line 11, is:		Enter on Schedule J, line 12		<i>of the amount over—</i>	If Schedule J, line 11, is:		Enter on Schedule J, line 12		<i>of the amount over—</i>
<i>Over—</i>	<i>But not over—</i>				<i>Over—</i>	<i>But not over—</i>			
\$0	\$8,925	.....	<b>10%</b>	<b>\$0</b>	\$0	\$8,925	.....	<b>10%</b>	<b>\$0</b>
8,925	36,250	<b>\$892.50</b>	<b>+</b> <b>15%</b>	<b>8,925</b>	8,925	36,250	<b>\$892.50</b>	<b>+</b> <b>15%</b>	<b>8,925</b>
36,250	87,850	<b>4,991.25</b>	<b>+</b> <b>25%</b>	<b>36,250</b>	36,250	73,200	<b>4,991.25</b>	<b>+</b> <b>25%</b>	<b>36,250</b>
87,850	183,250	<b>17,891.25</b>	<b>+</b> <b>28%</b>	<b>87,850</b>	73,200	111,525	<b>14,228.75</b>	<b>+</b> <b>28%</b>	<b>73,200</b>
183,250	398,350	<b>44,603.25</b>	<b>+</b> <b>33%</b>	<b>183,250</b>	111,525	199,175	<b>24,959.75</b>	<b>+</b> <b>33%</b>	<b>111,525</b>
398,350	400,000	<b>115,586.25</b>	<b>+</b> <b>35%</b>	<b>398,350</b>	199,175	225,000	<b>53,884.25</b>	<b>+</b> <b>35%</b>	<b>199,175</b>
400,000	.....	<b>116,163.75</b>	<b>+</b> <b>39.6%</b>	<b>400,000</b>	225,000	.....	<b>62,923.00</b>	<b>+</b> <b>39.6%</b>	<b>225,000</b>
<b>Schedule Y-1</b> —Use if your <b>2013</b> filing status was <b>Married filing jointly</b> or <b>Qualifying widow(er)</b> or you checked filing status box 6 on Form 1040NR					<b>Schedule Z</b> —Use if your <b>2013</b> filing status was <b>Head of household</b>				
If Schedule J, line 11, is:		Enter on Schedule J, line 12		<i>of the amount over—</i>	If Schedule J, line 11, is:		Enter on Schedule J, line 12		<i>of the amount over—</i>
<i>Over—</i>	<i>But not over—</i>				<i>Over—</i>	<i>But not over—</i>			
\$0	\$17,850	.....	<b>10%</b>	<b>\$0</b>	\$0	\$12,750	.....	<b>10%</b>	<b>\$0</b>
17,850	72,500	<b>\$1,785.00</b>	<b>+</b> <b>15%</b>	<b>17,850</b>	12,750	48,600	<b>\$1,275.00</b>	<b>+</b> <b>15%</b>	<b>12,750</b>
72,500	146,400	<b>9,982.50</b>	<b>+</b> <b>25%</b>	<b>72,500</b>	48,600	125,450	<b>6,652.50</b>	<b>+</b> <b>25%</b>	<b>48,600</b>
146,400	223,050	<b>28,457.50</b>	<b>+</b> <b>28%</b>	<b>146,400</b>	125,450	203,150	<b>25,865.00</b>	<b>+</b> <b>28%</b>	<b>125,450</b>
223,050	398,350	<b>49,919.50</b>	<b>+</b> <b>33%</b>	<b>223,050</b>	203,150	398,350	<b>47,621.00</b>	<b>+</b> <b>33%</b>	<b>203,150</b>
398,350	450,000	<b>107,768.50</b>	<b>+</b> <b>35%</b>	<b>398,350</b>	398,350	425,000	<b>112,037.00</b>	<b>+</b> <b>35%</b>	<b>398,350</b>
450,000	.....	<b>125,846.00</b>	<b>+</b> <b>39.6%</b>	<b>450,000</b>	425,000	.....	<b>121,364.50</b>	<b>+</b> <b>39.6%</b>	<b>425,000</b>





Use this worksheet **only** if both of the following apply.

- Your elected farm income on your 2015 Schedule J, line 2a, doesn't include any net capital gain.
- You **(a)** entered qualified dividends on your 2013 Form 1040, line 9b (or your 2013 Form 1040A, line 9b, or 2013 Form 1040NR, line 10b); **(b)** entered capital gain distributions directly on your 2013 Form 1040, line 13 (or your 2013 Form 1040A, line 10, or 2013 Form 1040NR, line 14) and weren't required to file Schedule D; or **(c)** filed Schedule D in 2013 and you answered "Yes" on lines 17 and 20 of that Schedule D.

1.	Amount from your 2015 Schedule J, line 11. If for 2013 you filed Form 2555 or 2555-EZ, enter the amount from line 3 of the 2013 Foreign Earned Income Tax Worksheet	1.	<input type="text"/>
2.	Amount from your 2013 Form 1040, line 9b* (or your 2013 Form 1040A, line 9b, or 2013 Form 1040NR, line 10b)	2.	<input type="text"/>
3.	Did you file Schedule D in 2013?*		
<input type="checkbox"/>	<b>Yes.</b> Enter the <b>smaller</b> of line 15 or 16 of your 2013 Schedule D, but don't enter less than -0-	}	3. <input type="text"/>
<input type="checkbox"/>	<b>No.</b> Enter the amount from your 2013 Form 1040, line 13 (or your 2013 Form 1040A, line 10, or 2013 Form 1040NR, line 14)		
4.	Add lines 2 and 3	4.	<input type="text"/>
5.	Amount, if any, from your 2013 Form 4952, line 4g	5.	<input type="text"/>
6.	Subtract line 5 from line 4. If zero or less, enter -0-	6.	<input type="text"/>
7.	Subtract line 6 from line 1. If zero or less, enter -0-	7.	<input type="text"/>
8.	Enter one of the following three amounts depending on your filing status:	}	8. <input type="text"/>
	• \$36,250 if single or married filing separately, or if you checked filing status box 1, 2, 3, 4, or 5 on Form 1040NR;		
	• \$72,500 if married filing jointly or qualifying widow(er) or if you checked filing status box 6 on Form 1040NR;		
	• \$48,600 if head of household.		
9.	Enter the smaller of line 1 or line 8	9.	<input type="text"/>
10.	Enter the smaller of line 7 or line 9	10.	<input type="text"/>
11.	Subtract line 10 from line 9. This amount is taxed at 0%	11.	<input type="text"/>
12.	Enter the smaller of line 1 or line 6	12.	<input type="text"/>
13.	Enter the amount from line 11	13.	<input type="text"/>
14.	Subtract line 13 from line 12	14.	<input type="text"/>
15.	Enter one of the following amounts depending on your filing status:	}	15. <input type="text"/>
	• \$400,000 if single, or if you checked filing status box 1 or 2 on Form 1040NR;		
	• \$225,000 if married filing separately, or if you checked filing status box 3, 4, or 5 on Form 1040NR;		
	• \$450,000 if married filing jointly or qualifying widow(er), or if you checked filing status box 6 on Form 1040NR;		
	• \$425,000 if head of household.		
16.	Enter the smaller of line 1 or line 15	16.	<input type="text"/>
17.	Add lines 7 and 11	17.	<input type="text"/>
18.	Subtract line 17 from line 16. If zero or less, enter -0-	18.	<input type="text"/>
19.	Enter the smaller of line 14 or line 18	19.	<input type="text"/>
20.	Multiply line 19 by 15% (0.15)	20.	<input type="text"/>
21.	Add lines 11 and 19	21.	<input type="text"/>
22.	Subtract line 21 from line 12	22.	<input type="text"/>
23.	Multiply line 22 by 20% (0.20)	23.	<input type="text"/>
24.	Figure the tax on the amount on line 7. Use the 2013 Tax Rate Schedules	24.	<input type="text"/>
25.	Add lines 20, 23, and 24	25.	<input type="text"/>
26.	Figure the tax on the amount on line 1. Use the 2013 Tax Rate Schedules	26.	<input type="text"/>
27.	<b>Tax.</b> Enter the <b>smaller</b> of line 25 or line 26 here and on your 2015 Schedule J, line 12. If for 2013 you filed Form 2555 or 2555-EZ, don't enter this amount on Schedule J, line 12. Instead, enter it on line 4 of the 2013 Foreign Earned Income Tax Worksheet	27.	<input type="text"/>

\*If for 2013 you filed Form 2555 or 2555-EZ, see the footnote in the 2013 Foreign Earned Income Tax Worksheet before completing this line.

Use this worksheet if you claimed the foreign earned income exclusion or housing exclusion on your 2013 Form 1040 using Form 2555 or 2555-EZ. However, if Schedule J, line 11, is zero or less don't complete this worksheet.

1. Enter the amount from your 2013 Schedule J, line 11 .....	1.	<input type="text"/>
2. Enter the amount from your (and your spouse's, if filing jointly) 2013 Form 2555, lines 45 and 50, or Form 2555-EZ, line 18 .....	2.	<input type="text"/>
3. Add lines 1 and 2 .....	3.	<input type="text"/>
4. <b>Tax on the amount on line 3.</b> Use the 2013 Tax Rate Schedules, the 2013 Qualified Dividends and Capital Gain Tax Worksheet,* or the 2013 Schedule D Tax Worksheet in the 2013 Schedule D instructions,* whichever applies. ....	4.	<input type="text"/>
5. <b>Tax on the amount on line 2.</b> Use the 2013 Tax Rate Schedules. ....	5.	<input type="text"/>
6. Subtract line 5 from line 4. Enter the result. If zero or less, enter -0-. Also include this amount on your 2013 Schedule J, line 12 .....	6.	<input type="text"/>

*\*Enter the amount from line 3 above on line 1 of the 2013 Qualified Dividends and Capital Gain Tax Worksheet or the 2013 Schedule D Tax Worksheet if you use either of those worksheets to figure the tax on line 4 above. Complete the rest of that worksheet through line 6 (line 10 if you use the Schedule D Tax Worksheet). Next, you must determine if you had a capital gain excess. To find out if you had a capital gain excess, subtract the amount from your 2013 Schedule J, line 11, from line 6 of your 2013 Qualified Dividends and Capital Gain Tax Worksheet (line 10 of your 2013 Schedule D Tax Worksheet). If the result is more than zero, that amount is your capital gain excess.*

*If you didn't have a capital gain excess, complete the rest of either of those worksheets according to the worksheet's instructions. Then complete lines 5 and 6 above.*

*If you had a capital gain excess, complete a second 2013 Qualified Dividends and Capital Gain Tax Worksheet or 2013 Schedule D Tax Worksheet (whichever applies) as instructed above but in its entirety and with the following additional modifications. Then complete lines 5 and 6 above. These modifications are to be made only for purposes of filling out the 2013 Foreign Earned Income Tax Worksheet above.*

1. Reduce (but not below zero) the amount you would otherwise enter on line 3 of your 2013 Qualified Dividends and Capital Gain Tax Worksheet or line 9 of your 2013 Schedule D Tax Worksheet by your capital gain excess.
2. Reduce (but not below zero) the amount you would otherwise enter on line 2 of your 2013 Qualified Dividends and Capital Gain Tax Worksheet or line 6 of your 2013 Schedule D Tax Worksheet by any of your capital gain excess not used in (1) above.
3. Reduce (but not below zero) the amount on your 2013 Schedule D (Form 1040), line 18, by your capital gain excess.
4. Include your capital gain excess as a loss on line 16 of your 2013 Unrecaptured Section 1250 Gain Worksheet in the 2013 Instructions for Schedule D (Form 1040).

### Line 13

If you used Schedule J to figure your tax for 2014 (that is, you entered the amount from the 2014 Schedule J, line 23, on your 2014 Form 1040, line 44, on your 2014 Form 1040NR, line 42, or on Form 1040X for 2014), enter on line 13 the amount from your 2014 Schedule J, line 3.

If you didn't use Schedule J to figure your tax for 2014, enter on line 13 the taxable income from your 2014 tax return (or as previously adjusted by the IRS or corrected on an amended return). But if that amount is zero or less, complete the worksheet below to figure the amount to enter on line 13.

If you didn't file a tax return for 2014, use the amount you would have reported as your taxable income had you been required to file a tax return. Be sure to keep all your records for 2014 until at least 3 years after April 15, 2016 (or the date you file your 2015 tax return, if later).

### Instructions for 2014 Taxable Income Worksheet

**Line 2.** Any net capital loss deduction on your 2014 Schedule D, line 21, isn't allowed for income averaging purposes to the extent it didn't reduce your capital loss carryover to 2015. This could happen if the taxable income before subtracting exemptions—shown on your 2014 Form 1040, line 41, or your 2014 Form 1040NR, line 39 (or as previously adjusted)—was less than zero. Enter on line 2 the amount by which your 2014 capital loss carryover to 2015 (the sum of your short- and long-term capital loss carryovers) exceeds the excess of the loss on your 2014 Schedule D, line 16, over the loss on your 2014 Schedule D, line 21.

**Line 3.** If you had an NOL for 2014, enter the amount of that NOL from the 2014 Form 1045, Schedule A, line 25, you filed with Form 1045 or Form 1040X. If you didn't have an NOL for 2014, enter the portion, if any, of the

NOL carryovers and carrybacks to 2014 that weren't used in 2014 and were carried to years after 2014.

**Example.** John Farmington didn't use income averaging for 2012, 2013, or 2014. The taxable income before subtracting exemptions on his 2014 Form 1040, line 41, is a negative \$1,000. This amount includes an NOL deduction on his 2014 Form 1040, line 21, of \$1,350. The \$1,350 is the portion of the 2013 NOL that was remaining from 2012 to be carried to 2014. See the examples earlier. A deduction for exemptions of \$3,950 is shown on Form 1040, line 42, and line 43, taxable income, is limited to zero. John doesn't have an NOL for 2014. John subtracts from the \$1,000 negative amount on Form 1040, line 41, the \$3,950 deduction for exemptions. The result is a negative \$4,950. John's 2014 taxable income, which he enters as a positive amount on line 1 of the 2014 Taxable Income Worksheet.

When John filed his 2014 tax return, he had a \$3,000 net capital loss deduction on Schedule D, line 21 (which was also entered on Form 1040, line 13), a \$7,000 loss on Schedule D, line 16, and a \$5,000 capital loss carryover to 2015 (his 2014 capital loss carryover to 2015 was \$5,000, not \$4,000, because the amount on his Form 1040, line 41, was a negative \$1,000). John adds the \$3,000 from Schedule D, line 21, and the \$5,000 carryover. He subtracts from the \$8,000 result the \$7,000 loss on his

Schedule D, line 16, and enters \$1,000 on line 2 of the worksheet.

John enters -0- on line 3 of the worksheet because he doesn't have an NOL for 2014 and didn't have an NOL carryover from 2014 available to carry to 2015 and later years. The NOL deduction for 2014 of \$1,350 was reduced to zero because it didn't exceed his modified taxable income of \$3,350. Modified taxable income is figured by adding back the \$3,000 net capital loss deduc-

tion and the \$3,950 exemption deduction to negative taxable income (figured without regard to the NOL deduction) of \$3,600. John enters \$1,000 on line 4 and \$3,950 on line 5. He enters \$3,950 as a negative amount on Schedule J, line 13. He enters \$6,000 on Schedule J, line 14, and \$2,050 on Schedule J, line 15. If he uses Schedule J to figure his tax for 2016, he will enter \$2,050 on his 2016 Schedule J as his 2014 taxable income for income averaging purposes.

## 2014 Taxable Income Worksheet—Line 13

Keep for Your Records



Complete this worksheet if your 2014 taxable income was zero or less. See the instructions above before completing this worksheet.

- |  |    |                      |
|--|----|----------------------|
| 1. Figure the taxable income from your 2014 tax return (or as previously adjusted) without limiting it to zero. If you had an NOL for 2014, <b>don't</b> include any NOL carryovers or carrybacks to 2014. Enter the result as a positive amount ..... | 1. | <input type="text"/> |
| 2. If there is a loss on your 2014 Schedule D, line 21, add that loss (as a positive amount) and your 2014 capital loss carryover to 2015. Subtract from that sum the amount of the loss on your 2014 Schedule D, line 16, and enter the result .....  | 2. | <input type="text"/> |
| 3. If you had an NOL for 2014, enter it as a positive amount. Otherwise, enter as a positive amount the portion, if any, of the NOL carryovers and carrybacks to 2014 that weren't used in 2014 and were carried to years after 2014 .....             | 3. | <input type="text"/> |
| 4. Add lines 2 and 3 .....   | 4. | <input type="text"/> |
| 5. Subtract line 4 from line 1. Enter the result as a <b>negative</b> amount on Schedule J, line 13 .....  | 5. | <input type="text"/> |

### Line 16

If line 15 is zero or less, enter -0- on line 16. Otherwise, figure the tax on the amount on line 15 using:

- The 2014 Tax Rate Schedules below;
- The 2014 Qualified Dividends and Capital Gain Tax Worksheet, later;
- The 2014 Schedule D Tax Worksheet in the 2014 Schedule D instructions (but use the 2014 Tax Rate Schedules when figuring the tax on the Sched-

ule D Tax Worksheet, lines 42 and 44); or

- The 2014 Foreign Earned Income Tax Worksheet, later.

If your elected farm income includes net capital gain, you must use the 2014 Schedule D Tax Worksheet to figure the tax on the amount on line 15. However, if you filed Form 2555 or 2555-EZ for 2014, you must first complete the 2014 Foreign Earned Income Tax Worksheet, and then use the 2014 Schedule D Tax

Worksheet to figure the tax on the amount on line 3 of the Foreign Earned Income Tax Worksheet.

When completing the Schedule D Tax Worksheet, you must allocate 1/3 of the amount on Schedule J, line 2b (and 1/3 of the amount on line 2c, if any) to 2014. If for 2014 you had a capital loss that resulted in a capital loss carryover to 2015, don't reduce the elected farm income allocated to 2014 by any part of the carryover.

## 2014 Tax Rate Schedules—Line 16

<b>Schedule X</b> —Use if your 2014 filing status was <b>Single</b> or you checked filing status box 1 or 2 on Form 1040NR					<b>Schedule Y-2</b> —Use if your 2014 filing status was <b>Married filing separately</b> or you checked filing status box 3, 4, or 5 on Form 1040NR						
If Schedule J, line 15, is:	<i>But not over—</i>	Enter on Schedule J, line 16		<i>of the amount over—</i>	If Schedule J, line 15, is:	<i>But not over—</i>	Enter on Schedule J, line 16		<i>of the amount over—</i>		
<i>Over—</i>	<i>over—</i>				<i>Over—</i>	<i>over—</i>					
\$0	\$9,075	.....	<b>10%</b>	<b>\$0</b>	\$0	\$9,075	.....	<b>10%</b>	<b>\$0</b>		
9,075	36,900	<b>\$907.50</b>	<b>+</b>	<b>15%</b>	<b>9,075</b>	9,075	36,900	<b>\$907.50</b>	<b>+</b>	<b>15%</b>	<b>9,075</b>
36,900	89,350	<b>5,081.25</b>	<b>+</b>	<b>25%</b>	<b>36,900</b>	36,900	74,425	<b>5,081.25</b>	<b>+</b>	<b>25%</b>	<b>36,900</b>
89,350	186,350	<b>18,193.75</b>	<b>+</b>	<b>28%</b>	<b>89,350</b>	74,425	113,425	<b>14,462.50</b>	<b>+</b>	<b>28%</b>	<b>74,425</b>
186,350	405,100	<b>45,353.75</b>	<b>+</b>	<b>33%</b>	<b>186,350</b>	113,425	202,550	<b>25,382.50</b>	<b>+</b>	<b>33%</b>	<b>113,425</b>
405,100	406,750	<b>117,541.25</b>	<b>+</b>	<b>35%</b>	<b>405,100</b>	202,550	228,800	<b>54,793.75</b>	<b>+</b>	<b>35%</b>	<b>202,550</b>
406,750	.....	<b>118,118.75</b>	<b>+</b>	<b>39.6%</b>	<b>406,750</b>	228,800	.....	<b>63,981.25</b>	<b>+</b>	<b>39.6%</b>	<b>228,800</b>
<b>Schedule Y-1</b> —Use if your 2014 filing status was <b>Married filing jointly</b> or <b>Qualifying widow(er)</b> or you checked filing status box 6 on Form 1040NR					<b>Schedule Z</b> —Use if your 2014 filing status was <b>Head of household</b>						
If Schedule J, line 15, is:	<i>But not over—</i>	Enter on Schedule J, line 16		<i>of the amount over—</i>	If Schedule J, line 15, is:	<i>But not over—</i>	Enter on Schedule J, line 16		<i>of the amount over—</i>		
<i>Over—</i>	<i>over—</i>				<i>Over—</i>	<i>over—</i>					
\$0	\$18,150	.....	<b>10%</b>	<b>\$0</b>	\$0	\$12,950	.....	<b>10%</b>	<b>\$0</b>		
18,150	73,800	<b>\$1,815.00</b>	<b>+</b>	<b>15%</b>	<b>18,150</b>	12,950	49,400	<b>\$1,295.00</b>	<b>+</b>	<b>15%</b>	<b>12,950</b>
73,800	148,850	<b>10,162.50</b>	<b>+</b>	<b>25%</b>	<b>73,800</b>	49,400	127,550	<b>6,762.50</b>	<b>+</b>	<b>25%</b>	<b>49,400</b>
148,850	226,850	<b>28,925.00</b>	<b>+</b>	<b>28%</b>	<b>148,850</b>	127,550	206,600	<b>26,300.00</b>	<b>+</b>	<b>28%</b>	<b>127,550</b>
226,850	405,100	<b>50,765.00</b>	<b>+</b>	<b>33%</b>	<b>226,850</b>	206,600	405,100	<b>48,434.00</b>	<b>+</b>	<b>33%</b>	<b>206,600</b>
405,100	457,600	<b>109,587.50</b>	<b>+</b>	<b>35%</b>	<b>405,100</b>	405,100	432,200	<b>113,939.00</b>	<b>+</b>	<b>35%</b>	<b>405,100</b>
457,600	.....	<b>127,962.50</b>	<b>+</b>	<b>39.6%</b>	<b>457,600</b>	432,200	.....	<b>123,424.00</b>	<b>+</b>	<b>39.6%</b>	<b>432,200</b>



Use this worksheet **only** if both of the following apply.

- Your elected farm income on your 2015 Schedule J, line 2a, doesn't include any net capital gain.
- You (a) entered qualified dividends on your 2014 Form 1040, line 9b (or your 2014 Form 1040A, line 9b, or 2014 Form 1040NR, line 10b); (b) entered capital gain distributions directly on your 2014 Form 1040, line 13 (or your 2014 Form 1040A, line 10, or 2014 Form 1040NR, line 14) and weren't required to file Schedule D; or (c) filed Schedule D in 2014 and you answered "Yes" on lines 17 and 20 of that Schedule D.

1.	Amount from your 2015 Schedule J, line 15. If for 2014 you filed Form 2555 or 2555-EZ, enter the amount from line 3 of the 2014 Foreign Earned Income Tax Worksheet	1.	<input type="text"/>
2.	Amount from your 2014 Form 1040, line 9b* (or your 2014 Form 1040A, line 9b, or 2014 Form 1040NR, line 10b)	2.	<input type="text"/>
3.	Did you file Schedule D in 2014?*		
	<input type="checkbox"/> Yes. Enter the <b>smaller</b> of line 15 or 16 of your 2014 Schedule D, but don't enter less than -0-	}	3.
	<input type="checkbox"/> No. Enter the amount from your 2014 Form 1040, line 13 (or your 2014 Form 1040A, line 10, or 2014 Form 1040NR, line 14)		
4.	Add lines 2 and 3	4.	<input type="text"/>
5.	Amount, if any, from your 2014 Form 4952, line 4g	5.	<input type="text"/>
6.	Subtract line 5 from line 4. If zero or less, enter -0-	6.	<input type="text"/>
7.	Subtract line 6 from line 1. If zero or less, enter -0-	7.	<input type="text"/>
8.	Enter one of the following three amounts depending on your filing status:	}	8.
	• \$36,900 if single or married filing separately, or if you checked filing status box 1, 2, 3, 4, or 5 on Form 1040NR;		
	• \$73,800 if married filing jointly or qualifying widow(er) or if you checked filing status box 6 on Form 1040NR;		
	• \$49,400 if head of household.		
9.	Enter the smaller of line 1 or line 8	9.	<input type="text"/>
10.	Enter the smaller of line 7 or line 9	10.	<input type="text"/>
11.	Subtract line 10 from line 9. This amount is taxed at 0%	11.	<input type="text"/>
12.	Enter the smaller of line 1 or line 6	12.	<input type="text"/>
13.	Enter the amount from line 11	13.	<input type="text"/>
14.	Subtract line 13 from line 12	14.	<input type="text"/>
15.	Enter one of the following amounts depending on your filing status:	}	15.
	• \$406,750 if single, or if you checked filing status box 1 or 2 on Form 1040NR;		
	• \$228,800 if married filing separately, or if you checked filing status box 3, 4, or 5 on Form 1040NR;		
	• \$457,600 if married filing jointly or qualifying widow(er), or if you checked filing status box 6 on Form 1040NR;		
	• \$432,200 if head of household.		
16.	Enter the smaller of line 1 or line 15	16.	<input type="text"/>
17.	Add lines 7 and 11	17.	<input type="text"/>
18.	Subtract line 17 from line 16. If zero or less, enter -0-	18.	<input type="text"/>
19.	Enter the smaller of line 14 or line 18	19.	<input type="text"/>
20.	Multiply line 19 by 15% (0.15)	20.	<input type="text"/>
21.	Add lines 11 and 19	21.	<input type="text"/>
22.	Subtract line 21 from line 12	22.	<input type="text"/>
23.	Multiply line 22 by 20% (0.20)	23.	<input type="text"/>
24.	Figure the tax on the amount on line 7. Use the 2014 Tax Rate Schedules	24.	<input type="text"/>
25.	Add lines 20, 23, and 24	25.	<input type="text"/>
26.	Figure the tax on the amount on line 1. Use the 2014 Tax Rate Schedules	26.	<input type="text"/>
27.	<b>Tax.</b> Enter the <b>smaller</b> of line 25 or line 26 here and on your 2015 Schedule J, line 16. If for 2014 you filed Form 2555 or 2555-EZ, don't enter this amount on Schedule J, line 16. Instead, enter it on line 4 of the 2014 Foreign Earned Income Tax Worksheet	27.	<input type="text"/>

\*If for 2014 you filed Form 2555 or 2555-EZ, see the footnote in the 2014 Foreign Earned Income Tax Worksheet before completing this line.

**2014 Foreign Earned Income Tax Worksheet—Line 16**

Keep for Your Records



Use this worksheet if you claimed the foreign earned income exclusion or housing exclusion on your 2014 Form 1040 using Form 2555 or 2555-EZ. However, if Schedule J, line 15, is zero or less, don't complete this worksheet.

<b>1.</b> Enter the amount from your 2015 Schedule J, line 15 .....	<b>1.</b>	
<b>2a.</b> Enter the amount from your (and your spouse's, if filing jointly) 2014 Form 2555, lines 45 and 50, or Form 2555-EZ, line 18 .....	<b>2a.</b>	
<b>b.</b> Enter the total amount of any itemized deductions or exclusions you could not claim because they are related to excluded income .....	<b>b.</b>	
<b>c.</b> Subtract line 2b from line 2a. If zero or less, enter -0- .....	<b>c.</b>	
<b>3.</b> Add lines 1 and 2c .....	<b>3.</b>	
<b>4. Tax on the amount on line 3.</b> Use the 2014 Tax Rate Schedules, the 2014 Qualified Dividends and Capital Gain Tax Worksheet,* or the 2014 Schedule D Tax Worksheet in the 2014 Schedule D instructions,* whichever applies. ....	<b>4.</b>	
<b>5. Tax on the amount on line 2c.</b> Use the 2014 Tax Rate Schedules. ....	<b>5.</b>	
<b>6.</b> Subtract line 5 from line 4. Enter the result. If zero or less, enter -0-. Also include this amount on your 2015 Schedule J, line 16 .....	<b>6.</b>	

*\*Enter the amount from line 3 above on line 1 of the 2014 Qualified Dividends and Capital Gain Tax Worksheet or the 2014 Schedule D Tax Worksheet if you use either of those worksheets to figure the tax on line 4 above. Complete the rest of that worksheet through line 6 (line 10 if you use the Schedule D Tax Worksheet). Next, you must determine if you had a capital gain excess. To find out if you had a capital gain excess, subtract the amount from your 2015 Schedule J, line 15, from line 6 of your 2014 Qualified Dividends and Capital Gain Tax Worksheet (line 10 of your 2014 Schedule D Tax Worksheet). If the result is more than zero, that amount is your capital gain excess.*

*If you didn't have a capital gain excess, complete the rest of either of those worksheets according to the worksheet's instructions. Then complete lines 5 and 6 above.*

*If you had a capital gain excess, complete a second 2014 Qualified Dividends and Capital Gain Tax Worksheet or 2014 Schedule D Tax Worksheet (whichever applies) as instructed above but in its entirety and with the following additional modifications. Then complete lines 5 and 6 above. These modifications are to be made only for purposes of filling out the 2014 Foreign Earned Income Tax Worksheet above.*

- 1. Reduce (but not below zero) the amount you would otherwise enter on line 3 of your 2014 Qualified Dividends and Capital Gain Tax Worksheet or line 9 of your 2014 Schedule D Tax Worksheet by your capital gain excess.*
- 2. Reduce (but not below zero) the amount you would otherwise enter on line 2 of your 2014 Qualified Dividends and Capital Gain Tax Worksheet or line 6 of your 2014 Schedule D Tax Worksheet by any of your capital gain excess not used in (1) above.*
- 3. Reduce (but not below zero) the amount on your 2014 Schedule D (Form 1040), line 18, by your capital gain excess.*
- 4. Include your capital gain excess as a loss on line 16 of your 2014 Unrecaptured Section 1250 Gain Worksheet in the 2014 Instructions for Schedule D (Form 1040).*

**Lines 19, 20, and 21**

For reporting purposes, the “tax” line of your tax return may include amounts that aren't tax imposed by section 1 of the Internal Revenue Code. For exam-

ple, your "tax" line may, in addition to the tax imposed by section 1, include amounts from Forms 8814 or 4972; alternative minimum tax if you filed Form 1040A; or amounts from the recapture of an education credit. Don't include

these other tax amounts on lines 19 through 21.

If you amended your return or the IRS made changes to it, make sure you enter the corrected amount.